



REDMOND CLAY & SALT CO., INC.

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DOGMI  
MINERALS PROGRAM  
FILE COPY

SEPTEMBER 27, 1991

STATE OF UTAH  
DEPT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS, AND MINING  
355 W. NORTH TEMPLE  
3 TRIAD CENTER SUITE 350  
SALT LAKE CITY, UTAH 84180-1203

RECEIVED

SEP 30 1991

DIVISION OF  
OIL GAS & MINING

LOWELL BRAXTON

DEAR SIR:

THIS LETTER IS TO LET YOU KNOW OF OUR EFFORTS TO COMPLY WITH THE SURETY REQUIREMENTS FOR THE RECLAMATION AND TO ASK FOR AN EXTENSION OF TIME.

WHEN WE FIRST RECEIVED THE LETTER ADVISING US OF THE ACCEPTABLE FORMS OF SURETY AND GIVING US A DEADLINE OF SEPTEMBER 30, 1991, WE FIGURED WE WOULD USE THE CORPORATE SURETY BOND METHOD SINCE WE ARE ACCUSTOMED TO BONDING EACH YEAR WITH THE STATE OF UTAH FOR ROAD SALT CONTRACTS. WE KNEW THAT TO COME UP WITH THE CASH OR C.D. IN THE AMOUNT OF \$228,100 WAS NOT A PRACTICAL OPTION. HOWEVER, WHEN WE TALKED TO THE BONDING COMPANY, THEY SAID THAT SINCE THIS BOND WOULD BE FOR RECLAMATION, THEY WOULD NOT ISSUE IT TO US UNLESS WE COLLATERALIZED IT TO THEM WITH CASH OR A 'C.D' FOR \$228,100.

WE THEN DECIDED THE ESCROW ROUTE WOULD FIT OUR NEEDS AND RESOURCES BEST. IN JUNE 1991 WE COMPLETED A 10 YEAR ESCROW IN WHICH WE WERE MAKING PAYMENTS OF \$20,000 TWICE A YEAR AND FELT WE COULD JUST RESUME SIMILAR PAYMENTS FOR THE OIL AND GAS. HOWEVER, AS WE SPOKE WITH WAYNE AND TONY, THEY INDICATED WE WOULD NEED TO HAVE APPROXIMATELY \$60,000 AS A DOWN PAYMENT.

NEXT WE LOOKED INTO THE IRREVOCABLE LETTER OF CREDIT. WE HAD HESITATED GOING THAT ROUTE BEFORE BECAUSE THE BANK CONSIDERS SUCH A LETTER OF CREDIT A LOAN AND WE DIDN'T WANT TO LIMIT OUR BORROWING CAPACITY FOR OTHER NEEDS WITH SUCH A LOAN FOR RECLAMATION. WHEN IT APPEARED THAT THIS MIGHT BE OUR ONLY OPTION, WE APPROACHED OUR BANK, THE UTAH INDEPENDENT BANK OF SALINA, TO SET ONE UP. WE SPOKE TO MIKE SHAW AND FOUND THEY ARE MORE THAN WILLING TO WORK WITH US ON SUCH A LETTER, BUT THERE ARE A COUPLE OF MINOR PROBLEMS WE NEED TO ASK YOUR HELP ON AND WE HAVE A SUGGESTION WE WOULD LIKE YOU TO CONSIDER.

THE PROBLEM IS THAT WE NEED TO HAVE A COUPLE OF BUILDINGS APPRAISED FOR COLLATERAL AGAINST THE LOAN AND ALL THE APPRAISERS WE TALKED TO, BOTH THOSE SUGGESTED BY THE BANK AND SOME I FOUND BY GOING TO THE YELLOW PAGES, ARE SO BUSY THEY CANNOT COME TO DO OUR JOB FOR 30 TO 60 DAYS. (WE HAVE TENTATIVELY HIRED STEVE HATCH, AN



APPRAISER RECOMMENDED BY OUR BANK, TO COME AS SOON AS POSSIBLE.) ONCE HE COMES ON SITE TO DO IT, IT WILL TAKE A NORMAL AMOUNT OF TIME TO ARRIVE AT FIGURES FOR THE BANK TO USE AND THEN A FEW DAYS FOR THE BANK TO PROCESS THE PAPER WORK. BASED ON THE APPRAISER'S ESTIMATE AS TO WHEN HE COULD COME, WE GUESS IT COULD BE DECEMBER 1, 1991 BEFORE OUR LETTER OF CREDIT IS IN PLACE. WE NEED AN EXTENTION UNTIL AT LEAST THEN, BUT WE HAVE A SUGGESTION WHICH WE FEEL WOULD BE MORE PRACTICAL FOR THE BANK, THE APPRAISER, AND RCSC, AND JUST AS SECURE FOR THE OIL AND GAS COMMISSION.

WE ARE IN THE PROCESS OF BUILDING A NEW 40' BY 70' OFFICE BUILDING AND A NEW 100' BY 250' WAREHOUSE NEXT TO IT. THE NEW OFFICE BUILDING WILL BE COMPLETED FOR US TO MOVE INTO THIS DECEMBER. THE WAREHOUSE, EXCEPT FOR THE EQUIPMENT, WILL BE COMPLETED BY FEBRUARY 1992. THESE TWO STRUCTURES ALONE WILL BE WORTH MORE THAN THE \$250,000 REQUIRED AS COLLATERAL FOR THE LETTER OF CREDIT. STEVE HATCH, OUR APPRAISER, SAYS THAT THOSE TWO BUILDINGS WOULD BE MUCH EASIER TO APPRAISE AND WOULD REALLY BE OF MORE VALUE AS COLLATERAL TO THE BANK BECAUSE OF THEIR NATURE THAN WOULD OUR PRESENT BUILDINGS WITH THEIR SPECIALIZED EQUIPMENT.

WE FEEL THAT OUR COMMITMENT TO BUILD THIS NEW OFFICE/WAREHOUSE COMPLEX IS EVIDENCE TO THE COMMISSION THAT WE DO NOT PLAN TO GO OUT OF BUSINESS WITHIN THE NEXT FOUR MONTHS. THEREFORE, WE REQUEST THAT WE BE GRANTED AN EXTENSION TIL MARCH 1, 1992, FOR OUR LETTER OF CREDIT. WE WOULD INVITE YOU TO SPEAK TO OUR BANK TO VERIFY THAT WE HAVE MADE THE AFOREMENTIONED STEPS WITH THEM TO SECURE SUCH A LETTER AND THEIR WILLINGNESS TO PROVIDE SUCH A LETTER, AND TO ALSO VISIT WITH THE APPRAISER TO VERIFY THAT HE IS INDEED LINED UP TO DO THE APPRAISAL JOB FOR US.

WE APOLOGIZE THAT PREVIOUS NEGOTIATIONS WITH THE COMMISSION HAVE DRAGGED ON FOR SO LONG, BUT WE HAVE HAD A HARD TIME BELIEVING THAT THERE WERE LAWS WHICH HAD BEEN PASSED WHICH IMPOSED SUCH CONTROLS AND RESTRICTIONS ON THE USE OF OUR PRIVATE LAND. NOW THAT WE SEE THAT SUCH LAWS REALLY DO EXIST, WE STILL WANT TO REMAIN IN BUSINESS AND SO WE WILL DO WHAT IS NECESSARY TO COMPLY WITH YOUR REQUESTS. WE DO FEEL THAT THE EXTENSION TIL MARCH 1, 1992, STILL GIVES THE STATE THE ASSURANCE IT NEEDS AND IT IS A DATE WE CAN WORK WITH BETTER THAN DECEMBER 1, 1991.

PLEASE LET US KNOW YOUR DECISION REGARDING THIS MATTER.

SINCERELY,



RONALD L. BOSSHARDT, PRESIDENT  
REDMOND CLAY & SALT CO., INC.